POLICY & ADVOCACY UPDATE
Issue #40, 6 March 2025

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Election priorities and promises

As reported in the previous Advocacy Update, Accommodation Australia has been using its pre-budget submission as the basis for its advocacy agenda in the run up to the election. The key recommendations in the submission have been summarised into five priority areas which have been shared through our political activity as well as via the media, including this story in Accommodation News. The priorities are:

1. Boosting tourism demand and international competitiveness
2. Addressing workforce and skills shortages
3. Reforming migration to support industry growth
4. Regulating Short Term Rental Accommodation (STRA) for housing stability
5. Supporting small businesses with energy and tax relief

In the past two weeks, the AA CEO James Goodwin has been at direct meetings or events involving the Prime Minister, Shadow Treasurer, Minister for Skills and Training, the Minister for Agriculture and Small Business, and the Member for Lindsay. With the Minister for Skills and Training, Andrew Giles, there was much discussion on skills and VET where James raised that our sector is removing itself from the recognised skills framework due to lack of funding support. He also stressed the importance of traineeship incentives to encourage structured on the job training - a suggestion backed by the trucking industry and Pharmacy Guild who were also present at the meeting.

The AHA CEO, Stephen Ferguson, has also been very active across all political parties including the cross benches, and has led the charge on the successful campaign to receive promises from both major parties that they will freeze the rise in draught beer excise served on-premise for the next two years. See the AHA media release here. The Liberal/National party also fell into line with the decision, so regardless of the election outcome, excise on draught beer will be frozen for the next two years.

In relation to the election date, up until the natural disaster threat created by Cyclone Alfred, it would have been short odds that the Prime Minister would have visited the Governor General on Sunday or Monday (after the outcome of the WA election this weekend) to call an election for April 12. Now there is every likelihood that the election will not be held until May, and that there will be a Federal Budget handed down by the Treasurer later this month. James and I joined out AHA colleagues in Hobart this week, where the success of the excise campaign was warmly acknowledged.

Thoughts are with affected members as Cyclone Alfred approaches

In relation to the immediate threat of the cyclone, Accommodation Australia sends our very earnest hopes that all of our members, their employees and their families stay safe, and that damage will be minimal.

AA meets with the Reserve Bank

Last week the AA CEO James Goodwin met with senior representatives of the Reserve Bank with the objective for the Bank to be updated on what is happening "on the ground" in ours and similar industries as well as providing an update from their end. The details and concerns about the recent interest rate cut were presented by Dr Michael Plumb – Head of Economic Analysis. Also in attendance was Assistant Governor Sarah Hunter. The RBA is cautious about further rate cuts with global uncertainties remaining, the rise in the government supported parts of the economy such as NDIS and aged care as well as some easing of labour market shortages. The AA participated in a discussion about ABS employment data and the RBA has sought more information on the numbers of people estimated to be working in their second job in the accommodation sector.

Qatar/Virgin Airlines deal clears final hurdle

Last week the Treasurer, Dr Jim Chalmers, announced that in acting on advice from the Foreign Investment Review Board, he was approving the equity purchase by Qatar of a 25% stake in Virgin. the approval was subject to enforceable conditions including the requirement for there to be Australian on the Virgin Board, a structured secondment program placing 20 Australian pilots and cabin crew in Doha, creating 60 backfill positions in Australia, and that there be consultation with the unions on any dry-lease arrangements. The Treasurer's statement noted that the proposal is also expected to deliver broader economic benefits including more job creation in Australia, support for the tourism industry and enhancing Australia's position as a key travel hub.

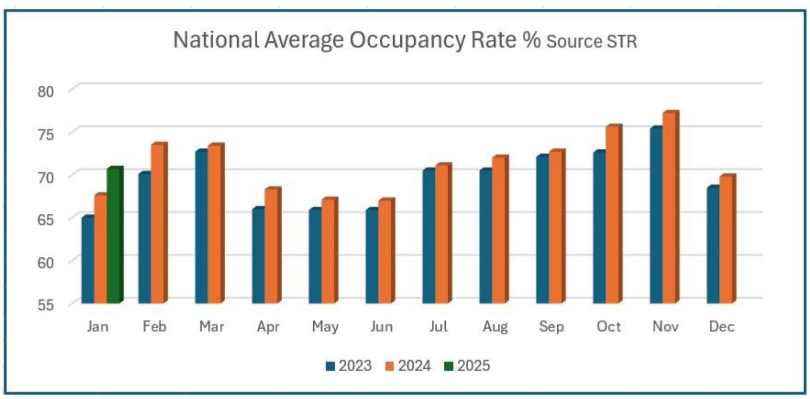
In related news, this week Virgin announced their new CEO will be Dave Emerson (pictured right, photo credit Virgin Airlines). Mr Emerson will succeed Jayne Hrdlicka who indicated her intention to retire as CEO in February 2024. Emerson, currently Virgin Australia's Chief Commercial Officer, has had 25 years of experience in the aviation and tourism industries. He will begin his transition into the CEO role immediately and will formally assume the role on Friday 14 March. Ms Hrdlicka will continue to support the transition as needed for the next few months.

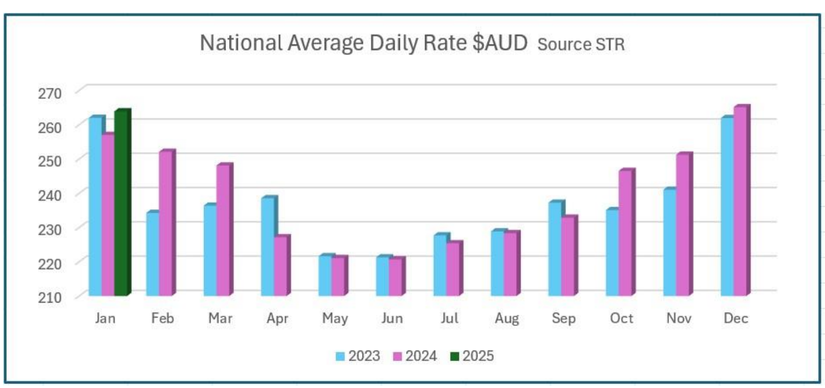
Hotels perform well in January

The latest STR accommodation data released for January 2025 shows that the upward trend in Australian average occupancy and Average Daily Rate experienced in 2024 continued into the new year. The average occupancy in the month of January across Australia was 70.7% compared with 67.6% in January 2024, and the Average Daily Rate was 3.0% higher at $263.89 compared with $256.21 in January 2024. Revenue per available room in January 2025 was $186.60, a solid increase of 7.8% from $173.10 in January 2024. Occupancy rates for January 2025 were up compared to last year in all States and Territories except South Australia, with particularly strong performance in WA followed by NSW and Victoria. The same can't be said for the ADR changes, with falls in ADR in NT, ACT and South Australia. New Zealand for the first time in many months experienced a rise in average occupancy rates in January 2025, increasing from 70.5% to 72.7%. ADR for the month was also up, being NZD253.78 in 2024 compared with NZD243.48 in January 2024.

Preliminary STR data for most of February indicates a slowing in the momentum, with the average occupancy for the first three weeks a couple of percentage points lower in most of the capital cities except Brisbane, Canberra and Adelaide which saw an increase. This can be in part attributed to the strong February 2024 with events such as Pink and Taylor Swift. Events in Adelaide include LIV golf have certainly made a difference, with the ADR for the first three weeks in February up from $198.16 to $216.14 with occupancy five percentage points higher than last February at 77.4%.

The graphs below derived from the STR data show the monthly average performance of occupancy and ADR across Australia since January 2023.





Industry wages, GDP and profitability December quarter

Business indicator data released by the ABS this week for December quarter 2024 shows that the Accommodation and Food Service industry paid over $8.1 billion in wages during the quarter and delivered company gross operating profits (CGOP) of $1.59 billion based on sales of $32.2 billion. These figures compare with $7.7 billion, $1.57 billion and $32.6 billion respectively for the same quarter in 2023. The CGOP result was a 3.5% improvement on the September quarter in seasonally adjusted terms, which was a positive result after two quarters of declining profitability. However, it was still below the 4.7% improvement in CGOP across all industries.

In related stats out from the ABS yesterday, Australia's Gross Domestic Product (GDP) rose only 0.6% for the December quarter, and 1.3% for the year to December. As a reflection of tight times for the consumer, GDP per capita only rose 0.1% for the quarter and actually fell by 0.7% for the year. Household consumption only rose by 0.4% for the quarter, but at least hotels, cafes and restaurants received a proportionally larger share, where consumption rose by 1.5%. The Accommodation and Food Service industry's contribution to GDP growth was in line with the economy average, with the industry gross value add growing by 0.6% in the December quarter. The largest rise was in the agriculture sector, but the gross value-add of industries such as manufacturing, construction, media, arts and professional services all fell.

Drop me an email at policy@accommodationaustralia.org or give me a call on 0418 277 919 if you have any national policy issue that you think AA should be following up. If you know an AA member who is not receiving this advocacy report but wants to, then encourage them to email me and we can add them to the distribution list.

Kind Regards

Jenny Lambert OAM

National Policy Director

Accommodation Australia